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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, October 24, 1996

APPLICATION OF

COMMONWEALTH CHESAPEAKE CORPORATION

CASE NO. PUE960224

For approval of expenditures
for new generation facilities
pursuant to Va. Code § 56-234.3
and for a certificate of public
convenience and necessity
pursuant to Va. Code § 56-265.2

ORDER FOR NOTICE AND HEARING

On September 16, 1996, Commonwealth Chesapeake Corporation ("Commonwealth Chesapeake" or "the Company") filed an application with supporting testimony and exhibits requesting the State Corporation Commission to approve, under Virginia Code § 56-234.3, the Company's proposed expenditures for construction of a generating facility ("Proposed Facility") consisting of three combustion turbines with an aggregated nominal rating of approximately 300 megawatts ("MW"), to be located in Accomack County, Virginia, and to grant a certificate of convenience and necessity for the facility under Virginia Code § 56-265.2.

Commonwealth Chesapeake is currently organized under the laws of the Commonwealth of Virginia as a general business corporation. Counsel for Commonwealth Chesapeake has represented to Commission Staff that the Company intends to become a public service corporation or limited partnership prior to certification. The owners of the Company are R. Peter Lalor and William C. Daley. The Company anticipates that one or more additional shareholders or partners will purchase an interest in the Proposed Facility prior to financing of the project.

In its filing, the Company states that it has responded to a March 29, 1996, solicitation from Old Dominion Electric Cooperative for power supply beginning in 1998, and that it intends to respond to an August 23, 1996, solicitation from, Delmarva Power & Light Company for capacity and energy, capacity only, or load reduction beginning in 1997.

Commonwealth Chesapeake asserts that its application, direct testimony, and exhibits demonstrate that good cause exists for a waiver of the Commission's 15-month approval and waiting period required prior to construction of new generating facilities of 100 MW or more. The Company also notes that in order to be prepared to serve the need for additional generation on the Delmarva Peninsula in a timely manner, it must be in a position to issue to the contractor for the Proposed Facility an unconditional notice to proceed by December 15, 1996.

Commonwealth Chesapeake raises several issues with regard to the Commission's jurisdiction over the Company. Commonwealth Chesapeake seeks a determination that it is not subject to this Commission's jurisdiction under the following provisions of Title 56 of the Virginia Code: Chapter 1 – Article 5, Chapter 3, Chapter 4, and Chapter 10 – Articles 1.1, 2, 2.1, 3, and 4. The Company also seeks determinations that any entity which lends money, credit, or services to the Company is not by virtue thereof a public service utility, an electric utility, a public service company or a public service corporation under Virginia Code §§ 13.1-620(D) and (E) and 56-1, and that the granting of a lien or security interest in the Company's assets does not require Commission approval.

NOW THE COMMISSION, having considered the application, is of the opinion and hereby finds that:

(1) Public notice of the application should be given and that a public hearing should be scheduled to receive Commonwealth Chesapeake's application; and

(2) Members of the Commission's Staff should investigate Commonwealth Chesapeake's proposal and present their findings to the Commission. Accordingly,

IT IS ORDERED THAT:

(1) The certificate application for the three combustion turbine units to be constructed in Accomack County, Virginia be assigned Case No. PUE960224.

(2) A public hearing for the purpose of receiving evidence relevant to the application is scheduled for January 23, 1997, at 10:00 a.m. in the Commission's Second Floor Courtroom.

(3) On or before November 27, 1996, any person desiring to participate as a Protestant, as defined in SCC Rule 4:6, shall file an original and twenty (20) copies of a notice of protest as provided by SCC Rule 5:16(a) with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and serve a copy upon the Company's counsel, Edward L. Flippen, Esquire, and Kodwo Ghartey-Tagoe, Esquire, Mays & Valentine, P.O. Box 1122, Richmond, Virginia 23208-1122, and upon all Protestants.

(4) Within five (5) days of receipt of any notice of protest, Commonwealth Chesapeake shall serve upon each Protestant a copy of all material now or hereinafter filed with the Commission and also provide each Protestant a copy of this Order.

(5) Any person who expects to submit evidence, cross-examine witnesses, or otherwise participate in the proceeding as a Protestant, pursuant to SCC Rule 4:6 shall file, on or before December 19, 1996, an original and twenty (20) copies of a protest with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, referring to Case No. PUE960224, and shall simultaneously serve a copy thereof upon the Company's counsel, Edward L. Flippen, Esquire, and Kodwo Ghartey-Tagoe, Esquire, at the counsels' address set forth above, and upon all Protestants. The Protest shall set forth (i) a precise statement of the interest of the Protestant in the

proceeding; (ii) a full and clear statement of the facts which the Protestant is prepared to prove by competent evidence; and (iii) a statement of the specific relief sought and the legal basis therefor. Any corporate entity that wishes to submit evidence, cross-examine witnesses, or otherwise participate as a Protestant must be represented by legal counsel in accordance with the requirement of Rule 4:8 of the Commission's Rules of Practice and Procedure.

(6) Any person desiring to comment in writing on the application may do so by directing such comments on or before December 19, 1996, to the Clerk of the Commission to the address noted above and by serving a copy upon Commonwealth Chesapeake's counsel and upon all Protestants. Any person desiring to make a statement at the public hearing either for or against the application, need only appear in the Commission's Courtroom at 9:45 a.m. on the day of the hearing and identify himself or herself to the Bailiff as a public witness.

(7) On or before December 19, 1996, each Protestant shall file with the Commission an original and twenty (20) copies of the prepared testimony and exhibits the Protestant intends to present at the January 23, 1997 hearing and shall simultaneously serve a copy upon the Company's counsel and upon all Protestants.

(8) On or before January 9, 1997, the Commission Staff shall file an original and twenty (20) copies of the prepared testimony and exhibits Staff intends to present at the public hearing and serve one (1) copy upon the Company and upon all Protestants.

(9) On or before January 16, 1997, Commonwealth Chesapeake shall file an original and twenty (20) copies of all testimony it expects to introduce in rebuttal to all direct prefiled testimony and exhibits; additional rebuttal evidence may be presented without prefiling, provided it is in response to evidence which was not prefiled but elicited at the time of hearing and, provided further the need for additional rebuttal evidence is timely addressed by motion during the hearing and leave to present said evidence is

granted by the Commission. A copy of the prefiled rebuttal evidence shall be served upon all Protestants on or before January 16, 1997.

(10) Commonwealth Chesapeake respond to written interrogatories within five (5) working days after receipt of same. Protestants shall respond to the written interrogatories of Commonwealth Chesapeake, other Protestants, and Staff within five (5) working days after receipt of same. Protestants shall provide to Commonwealth Chesapeake, other Protestants, and Staff any work papers or document used in preparation of their filed testimony promptly upon request. Except as modified above, discovery shall be in accordance with Part VI of the SCC Rules.

(11) Commonwealth Chesapeake make a copy of its application available for public inspection during regular business hours, at the Island Library, Main Street, Chincoteague, Virginia 23336.

(12) On or before November 20, 1996, Commonwealth Chesapeake shall cause the following public notice to be published as display advertising (not classified) once a week for two (2) consecutive weeks in newspapers of general circulation throughout the eastern shore of Virginia:

NOTICE TO THE PUBLIC OF AN
APPLICATION TO CONSTRUCT NEW
ELECTRIC GENERATION FACILITIES BY
COMMONWEALTH CHESAPEAKE CORPORATION

On September 16, 1996, Commonwealth Chesapeake Corporation ("Commonwealth Chesapeake" or "the Company") filed an application with supporting testimony and exhibits requesting the State Corporation Commission to approve, under Virginia Code § 56-234.3, the Company's proposed expenditures for construction of a generating facility ("Proposed Facility") consisting of three combustion turbines with an aggregated nominal rating of approximately 300 megawatts ("MW"), to be located in Accomack County, Virginia, and to grant a certificate of convenience and necessity for the facility under Virginia Code § 56-265.2.

Commonwealth Chesapeake is currently organized under the laws of the Commonwealth of Virginia as a general business corporation. Counsel for Commonwealth Chesapeake has

represented to Commission Staff that the Company intends to become a public service corporation or limited partnership prior to certification. The owners of the Company are R. Peter Lalor and William C. Daley. The Company anticipates that one or more additional shareholders or partners will purchase an interest in the Proposed Facility prior to financing of the project.

In its application, Commonwealth Chesapeake seeks determinations relative to the Commission's jurisdiction under the Virginia Code over the Company.

The Commission has scheduled a public hearing to commence at 10:00 a.m. on January 23, 1997, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia for the purpose of receiving evidence related to Commonwealth Chesapeake's application.

Individuals with disabilities who require an accommodation to participate in the hearing may contact the Commission at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD). Individuals requesting accommodations should contact the Commission at either of these numbers at least seven days before the scheduled hearing date.

A copy of Commonwealth Chesapeake's application is available for public inspection during regular business hours at the Island Library, Main Street, Chincoteague, Virginia 23336, and at the SCC Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia.

Any person desiring to comment in writing on the application may do so by directing such comments on or before December 19, 1996, to the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, referring to Case No. PUE960224, and serving a copy upon the Company's counsel, Edward L. Flippen, Esquire, and Kodwo Ghartey-Tagoe, Esquire, Mays & Valentine, P.O. Box 1122, Richmond, Virginia 23208-1122, and upon all Protestants. Any person desiring to make a statement at the public hearing, either for or against the application need only appear in the Commission's Courtroom at 9:45 a.m. on the day

of the hearing and identify himself or herself to the Bailiff as a public witness.

On or before November 27, 1996, any person desiring to participate as a Protestant, as defined in SCC Rule 4:6, shall file an original and twenty (20) copies of a notice of protest as provided by SCC Rule 5:16(a), and serve a copy upon Commonwealth Chesapeake's counsel at the address set forth above, and upon all Protestants.

Any person who expects to submit evidence, cross-examine witnesses or otherwise participate in the proceeding as a Protestant, pursuant to SCC Rule 4:6, shall file, on or before December 19, 1996, an original and twenty (20) copies of a protest with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O.Box 2118, Richmond, Virginia 23218, referring to Case No. PUE960224, and shall simultaneously serve a copy thereof upon Commonwealth Chesapeake's counsel at the address set forth above, and upon all Protestants. The Protest shall set forth (i) a precise statement of the interest of the Protestant in the proceeding; (ii) a full and clear statement of the facts which the Protestant is prepared to prove by competent evidence; and (iii) a statement of the specific relief sought and the legal basis therefor. Any corporate entity that wishes to submit evidence, cross-examine witnesses, or otherwise participate as a Protestant must be represented by legal counsel in accordance with the requirement of Rule 4:8 of the Commission's Rules of Practice and Procedure.

On or before December 19, 1996, each Protestant shall file with the Commission an original and twenty (20) copies of the prepared testimony and exhibits the Protestant intends to present at the January 23, 1997 hearing and shall simultaneously serve a copy upon the Company's counsel and upon all Protestants.

All written communications to the Commission regarding this case should reflect Case No. PUE960224 and should be directed to William J. Bridge, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond,

Virginia 23218 and should be filed on or before
December 19, 1996.

COMMONWEALTH CHESAPEAKE CORPORATION

(13) The public notice contained in ordering paragraph (12) above shall be transmitted for publication in the Virginia Register.

(14) On or before November 13, 1996, Commonwealth Chesapeake shall serve a copy of its application and this Order upon all Virginia investor owned and cooperative electric utilities; The Honorable Becky Norton Dunlop, Secretary of Natural Resources, P.O. Box 1475, Richmond, Virginia 23212; and Mr. Thomas L. Hopkins, Director, Air Division, Department of Environmental Quality, P.O. Box 10009, Richmond, Virginia 23240-0009.

(15) At the commencement of the hearing scheduled herein, Commonwealth Chesapeake shall provide the Commission proof of publication and notice as directed by paragraphs 12 and 14 of this Order.